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FOREIGN SERVICE DESPATCH

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DESP. NO. 274

SEP 26 1953

FROM : AMEMBASSY, GUATEMALA

TO : THE DEPARTMENT OF STATE, WASHINGTON

Assigned September 25, 1953
Action Taken
DATE

REF : —

25 For Dept. Use Only	ACTION	DEPT.	
	OEX	INFO	ARA [illegible] Action
	REC'D SEP 28	OTHER	[illegible] Office Symbol of Officer

SUBJECT: Joint Weeka No. 39 for State, Army and Air Departments from SA - Section I

Action to DC/R

In a speech made before a meeting of the PRG political party Sr. Alfonso BAUER Paiz, the extreme nationalist temporary Government "interventor" of the U.S.-owned Empresa Eléctrica, accused the Company of making fabulous profits to the detriment of the public and the Treasury but counselled against nationalizing the enterprise or cancelling its contracts since such measures would "create a problematical international situation." The independent La Hora saw in this latter view an aftereffect of the Department's August 28 Aide Memoire on the United Fruit Company expropriations and evidence that at least some extremists might be seeing the light and realizing the dangers of proceeding too far against foreign enterprises operating here.

Meanwhile, however, the wage dispute of the U.S.-owned International Railways of Central America (IRCA) became more complicated as the railway workers' union (SAMF) refused to give the Company further time to consult its head office in the U.S. on the union's "final" demand for a 25-percent raise and asked the Labor Court of Appeals for a ruling that a strike would be legal.

Dr. Raúl OSEGUEDA, the Foreign Minister, indicated to reporters that the Guatemalan Government had not made up its mind whether it would participate in the Caracas Inter-American Conference in March, 1954.

The pro-Government press indicated continued leftist sensitivity to criticism from the U.S. by attacking a New York Daily News editorial advising U.S. travellers to boycott Guatemala's October Fair. This was branded as another maneuver of the United Fruit Company's "implacable war against Guatemala."

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REPORTER

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The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

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DECLASSIFICATION DATE 11-30-78
PER Edwards, OFFICE ARA
FADRC FOI CASE NO. 740332

FEB 17 1954

AMERICAN INTERESTS F790004-1116

Bauer Paiz Opposes Nationalization of Empresa Eléctrica: Voicing strong criticism of the U.S.-owned Empresa Eléctrica power and light company, Sr. Alfonso Bauer Paiz, the leftist-nationalist ex-Minister of Economy who was put in charge of the Company's services by the Government during last July's strike, told a political rally that his investigations showed that the Company was earning over $1,000,000 annually, could afford the approximately 37 percent wage raise asked by Company employees, and could still reduce its rates by one cent per kilowatt hour. He added that he favored tighter Government control rather than nationalization or cancellation of the Company's contracts since such measures would "create a problematical international situation."

The independent La Hora of September 19th took Sr. Bauer Paiz' anti-nationalization stand as evidence that some Guatemalans may be seeing the light and realizing the dangers of proceeding too far against foreign enterprise operating here. The newspaper thought that what he had in mind were the considerations involved in the "Washington Note," i.e. the Department's Aide Memoire of August 28, 1953, reminding the Guatemalan Government of its obligation to pay adequate, prompt and effective compensation for United Fruit Company lands expropriated under the Guatemalan Agrarian Reform Law.

The Government auditors' report on which Sr. Bauer Paiz based his observations is to be submitted on September 25 to President ARBENZ and to the Third Labor Court to be used by the latter as a basis for determining whether the Empresa Eléctrica workers were justified in striking last July for higher wages.

SAMF Prejudices Direct Negotiations with IRCA: In a move away from direct negotiations between the SAMF railroad workers' union and the U.S.-owned International Railways of Central America and towards preparing the ground for a possible strike (Weeka 38), the SAMF this week petitioned the Labor Court of Appeals to resume consideration of the Company's appeal against a lower court ruling that a strike by the union would be legal. The case had been suspended during direct negotiations but the SAMF was unwilling to permit further delay while the local IRCA management consulted the home office in the United States about the SAMF's "final" minimum demand of a 25-percent wage raise and a pension plan.

If the Labor Court of Appeals upholds the ruling that a strike would be legal, the last legal obstacle to a strike

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will apparently be removed. This week the Supreme Court rejected the Company's earlier appeal against alleged procedural irregularities by the lower courts in considering the case.

INTERNATIONAL AFFAIRS

Uncertainty About Guatemalan Attendance at Tenth Inter-American Conference: Dr. Osegueda, the Foreign Minister, told reporters on September 19 that the Guatemalan Government had not yet decided whether it would send representatives to the Tenth International Conference of American States scheduled to be held in Caracas, Venezuela, in March 1954, but that he expected a decision within the week. He had previously said, in a press interview on December 4, 1952, that Guatemala would not attend the Conference if it were held in Caracas and existing Venezuelan political conditions continued.

Guatemalan Delegates Return from Soviet-Oriented Congresses: The local press on September 23-24 reported that 14 Guatemalan delegates returning from the Soviet-oriented Fourth World Youth Festival in Bucharest, Rumania, had been briefly detained in Cuba by the police who confiscated the Communist literature they were carrying. The Communist Tribuna Popular quoted Sr. Hugo BARRIOS Klée, leader of the Communist youth organization, the Alianza Juventud Democrática de Guatemala (AJDG) as identifying the group as consisting of the marimba band of the Guatemalan national police, two dancers of the Guatemalan National Ballet, Sr. Carlos Noel MEJIA, ex-reporter on the independent Prensa Libre, and Sr. Armando ORELLANO, President of the Youth Club of the national police.

The press also reported the return of Sr. Rafael TISCHLER, Communist Secretary General of the teachers' union (STEG), who had attended the Communist-sponsored World Teachers' Congress in Vienna and "made a trip of several months through Europe."

PSYCHOLOGICAL

New York Daily News Stings Leftist Guatemalan Press: Reflecting the continued sensitivity of leftist Guatemalan Government circles to criticism from the United States, the Government-owned Diario de Centro América and the Communist-line Nuestro Diario this week called attention to the New York Daily News September 13 editorial recommending a boycott of Guatemala's October Fair because of the country's "Communist-dominated" Government. Those papers commented editorially that the Daily News represented the "trusts" and that its article was another maneuver of the United Fruit Company's "implacable

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war on Guatemala." While the leftist press sidestepped the issue of Communism, the independent Prensa Libre bluntly blamed the suggestion of a boycott on the Communist-directed Guatemalan official press and radio whose unbridled propaganda against the United States "will slowly isolate the country and ruin the national economy."

Communist Propaganda Takes Leading Place in Local Book Fair: In an indication of the increasing availability of Communist propaganda materials in Guatemala, a "Book Fair" was held under the auspices of the Communist-front Casa de Cultura September 12-20 in the exhibit hall of the National Palace with the result, according to the leftist press, that Guatemala's unofficial Communist bookstore, the Librería El Futuro, sold two thousand books and pamphlets for a total of $550. When the independent El Imparcial commented editorially on the low prices of these publications, the bookstore's owner, Sr. Roberto DE LA PEÑA, stated in a public letter that "Foreign language publications from Moscow have very moderate prices because...book publishing in the Soviet Union is not a business but a cultural enterprise." The Communist bookstore's sales were reported as second only to those of the Ministry of Education whose publishing house is directed by Sr. Edelberto TORRES, an exiled Nicaraguan Communist.

Confiscation of Anti-Communist Publication: The Guatemalan police this week, according to unrefuted press reports, confiscated five hundred copies of CEUAGE, an anti-Administration and anti-Communist bulletin published by university students exiled in Honduras. This action was taken shortly before members of the Anti-Communist Youth League (Liga Juvenil Anticomunista) appeared at Guatemala City's Pan American Airways Office to pick up the shipment.

MILITARY

President Arbenz Upholds Army in Commissary Free Entry Dispute: Despite strong protests by merchants' organizations and the independent press, President Arbenz this week signed the bill giving the Army Commissary free entry rights (Weeka 37) and thus underscored his Administration's willingness to disregard the interests of other portions of the community in order to keep the military satisfied under the regime.

Rudolf E. Schoenfeld

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